

Message Text

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ACTION EUR-12

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USMISSION EC BRUSSELS
USMISSION NATO
OECD PARIS
AMCONSUL MILAN
AMCONSUL NAPLES
USCINCEUR VAIHINGEN GERMANY
USDOCOSOUTH FOR INTAF

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E.O. 11652 N/A
TAGS: PINT, ELAB, PINR, IT, EFIN
SUBJ: PARTIAL COST-OF-LIVING ESCALATOR FREEZE BECOMES LAW

1. THE CHAMBER OF DEPUTIES ENACTED THE GOVERNMENT'S PARTIAL COST-OF-LIVING ESCALATOR FREEZE DECREE DE.9. THE SENATE PASSED DEC.2. THE DECREE CONVERTS INTO NON-NEGOTIABLE, FIVE-YEAR TREASURY BONDS 100 PERCENT OF COST-OF-LIVING INCREASES FOR THOSE EARNING OVER 8 MILLION LIRE ANNUALLY (AFTER SOCIAL SECURITY CONTRIBUTIONS BUT BEFORE TAXES), AND 50 PERCENT OF COST-OF-LIVING INCREASE OF THOSE EARNING 6-8 MILLION. THE "FREEZE" WILL BE EFFECTIVE FOR 19 MONTHS, ENDING IN APRIL 1978, AND WILL AFFECT PROFESSIONALS (E.G. DOCTORS PROVIDING NATIONAL HEALTH INSURANCE CARE) WHO BENEFIT FROM THE ESCALATOR THROUGH STEADY INCOME RELATIONSHIPS WITH GOVERNMENT ENTITIES, IN ADDITION TO ALL WAGE AND SALARY EARNERS. THE GOVERNMENT ACCEPTED AN "ORDER OF THE DAY", PRESENTED BY THE NON-OPPOSITION PARTY DEPUTIES, SUGGESTING THAT THE GOVERN-

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MENT PROVIDE THAT THE INCOME "FROZEN" INTO BONDS NOT BE TAXED

UNTIL THE BONDS MATURE AND THAT THE CONSIDER MODIFYING THE FREEZE
IN JULY 1977 IN THE LIGHT OF THE RATE OF INFLATION AND THE
COUNTRY'S GENERAL ECONOMIC SITUATION AT THAT TIME. UNLESS THE
"FLOORS" OR "CEILINGS" (6 AND 8 MILLION) ARE MODIFIED AS A
RESULT OF SUCH REEXAMINATION, THEY REMAIN FIXED, DESPITE RISING
INCOME LEVELS, SO MORE AND MORE WAGE EARNERS WILL BECOME SUBJECT
TO THE FREEZE AS INCOMES RISES. THE FUNDS TRANSFERRED TO THE
TREASURY IN EXCHANGE FOR THE BONDS ARE TO BE USED TO PROVIDE
INCENTIVES FOR PRODUCTIVE INVESTMENTS.BEAUDRY

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